

**MINUTES OF THE BUDGET WORK SESSION OF THE CITY COUNCIL OF THE
CITY OF COTTONWOOD, ARIZONA, SCHEDULED JUNE 8, 2010, AT 6:00 P.M.,
AT THE CITY COUNCIL CHAMBERS BUILDING, 826 NORTH MAIN STREET,
COTTONWOOD, ARIZONA.**

CALL TO ORDER AND ROLL CALL

Mayor Joens called the work session to order at 6:28 p.m.

COUNCIL MEMBERS PRESENT

Diane Joens, Mayor
Karen Pfeifer, Vice Mayor
Tim Elinski, Council Member
Duane Kirby, Council Member
Linda Norman, Council Member
Terence Pratt, Council Member

COUNCIL MEMBER ABSENT

Darold Smith, Council Member

STAFF MEMBERS PRESENT

Doug Bartosh, City Manager
Dan Lueder, Development Services General Manager
Tim Costello, City Engineer
Rudy Rodriguez, Administrative Services General Manager
Kyla Allen, Executive Assistant to the City Manager

Marianne Jiménez, City Clerk
Steve Horton, City Attorney
Mike Casson, Fire Cheif

DEPARTMENTAL BUDGETS

Mr. Rodriguez displayed PowerPoint images and stated this was a five-year program which also showed the current year for comparison. Most, if not all, the items were above \$35,000. Below that, amounts had already been programmed into the budget. The five-year program ran from fiscal year 2011-12 to 2016 and was a little over \$94 million. This was not a pay-as-you-go program. We were going to have some financing availability in some of these. The two big distributions of capital were utilities and streets. Other departments showed up occasionally as big recipients.

The 0.2 percent sales tax was originally scheduled for the library. In November 1998 it was authorized for us to use it for capital purchases. He had, in effect, funneled it over to public safety. The handout listed revenues and monies going out, usually for lease purchases and any kind of bond. His concern was fiscal year 2010-11. We had \$120,000 programmed for the fire station and \$500,000 for a fire truck. The revenues showed \$1.6 million which matched what we planned to spend on design and actual construction of the fire station. Usually we had sufficient cash where we could go ahead and pay for design work, get a reimbursement resolution, start the construction, then go ahead and get the financing. We tried to space it out so the bulk of the money was financed during the bulk of the construction.

On the other hand we had the \$500,000 for the fire truck. The reason we had it there was if we designed a fire truck later this next fiscal year, it would take anywhere between 12 and 18 months to actually come here. There was a good chance we would start searching for financing this year but that \$500,000 would move into next year because we wouldn't get it until then. One of the reasons we budgeted for it now in fiscal year 2011 was it showed whoever we were going to finance from or whoever was going to build the fire truck, that we had the commitment so that it would take priority.

In this particular budget we had \$360,000 set aside for the regional communications building site. It was planned to be right next to the Public Safety Building on land we acquired from the county. We had about \$3.7 million set aside for its actual construction in 2012.

The other items, mobile data computing activity and reverse 911, were either grant funded or we had their regular revenues to go ahead and fund those programs. Looking at year 2015-16 we were looking at potentially getting another fire station and we had another pumper programmed for 2013-14.

Mayor Joens asked if we were putting on the regional communications building the largest amount, \$3.7 million, for next year's budget.

Mr. Rodriguez stated it was the year after that. We were working one fiscal year by planning for next fiscal year, but it wouldn't show up until the fiscal year after that.

Mayor Joens asked if in 2010-11 we were spending \$360,000 on the design, but both of those went another year out.

Mr. Rodriguez stated, yes. We would be doing the feasibility study and possibly the design work in the upcoming fiscal year. That would take us almost all year to get all the participants together and hopefully start construction and complete it the year after that. We staggered out the costs about when they were going to happen.

Mayor Joens asked what the \$360,000 was for in 2010-11.

Mr. Rodriguez stated for next year that would be the feasibility study and probably all the design work. The \$3.7 million would be actual construction and habitation of the facility.

Mr. Lueder stated the SOQ had come today and there would be a recommendation and request for approval to the Council July 20 to start the feasibility study.

Mayor Joens asked what those types of feasibility studies generally went for; \$60,000, \$80,000.

Mr. Rodriguez stated this was an unusual situation for us as it was the first time we would actually tried to put a regional facility together.

Mr. Lueder stated public safety people were putting the scope together. Once we chose, we could negotiate with the top three firms.

Mayor Joens asked what it was for the recreation center.

Mr. Rodriguez stated it was \$75,000.

Mr. Horton stated we decided to split the feasibility assessment of need from the design work. We weren't certain what to solicit in terms of design until we knew who the stakeholders were and what their needs were.

Mr. Rodriguez stated prior to July 1, 2007 the Council authorized its extension of the one percent sales tax to be set aside for general government facilities. The current budget year Council was asked if needed could we pull this back for maintenance and operations. Right now we were not planning to do that. We were planning to continue funding the capital program. If we found that HURF or Library needed more money during the course of the year, we could always come back and draw out of this fund and reallocate it. There was no real restriction except what the Council put on this fund.

A lot of the parks and recreation items we expected to have grants for. The two really big ticket items were purchasing large park acreage for ball fields and for a youth sports open space arena. Most of the other items were relatively small. For all the big ticket items we planned to go ahead and solicit some sort of funding for.

Council Member Elinski asked how he could know if he would get a grant for some of the planned expenditures.

Mr. Rodriguez stated we didn't know. What we ended up doing was to make our best guess. Some of the items listed were not critical. There had been grants available for some of these items, so we went ahead and put them into grant items. If it didn't happen, we pushed them out another year and we would try again. If you had a very critical item, such as the fire truck, chances were we would not be looking for any type of grant. The ladder truck was a different story at \$1 million. The \$500,000 truck was a critical piece of equipment. We would not wait around to find a small grant. We would go ahead and move on it. Should we find a grant we would apply for it. These other items like the urban trail system were not a critical piece of capital. If it didn't happen in 2012-13 we could push it out another year or two.

Mayor Joens stated the items out in 2015 were very exciting; the urban trail system and pocket parks, the Old Town field conversion to a cultural park, and a citywide roofing project that we would do in 2011-12. Her concern on those was what if we did a new city hall, why would we reroof. The Old Town field conversion to a cultural park was where somebody said they were talking about putting a city hall.

Mr. Rodriguez this was the first year it had appeared. If we did build a city hall, our intent was to build some sort of cultural park in this back area.

Council Member Kirby stated he had to budget this money just in case a grant came through. Otherwise the money was wasted because he couldn't spend it.

Mayor Joens stated that was why last year we had such a huge budget; because of the recreation center.

Mr. Rodriguez stated we had the ladder truck and the grant funding for it and we had the recreation center.

Mayor Joens stated it was hard for the public to wrap their arms around a multi-million dollar budget. They didn't really understand how grants worked. It was very likely you wouldn't spend that money.

Mr. Rodriguez stated if the economy got worse, some of these items would get pushed out. If it got better, some could move upward.

Council Member Kirby asked if we didn't have a \$1 million capital capped fund.

Mr. Rodriguez stated that would be one of the topics that would be gone over. Earlier this year we took a lot of sales tax from HURF for maintenance and operations and to keep the General Fund healthy. The pavement preservation program was still there. The sidewalks were still set aside at \$80,000 a year. There were the 6th Street and 12th Street reconstruction projects and the West Mingus project. There was a financing package for both the Willard Street and 12th Street projects for \$3.75 million. In fiscal year 2013 there was \$7.6 million in funding. That was a placeholder because this fund didn't have that much cash. We were looking at getting a one-time loan to do a lot of projects in the future rather than going out every year or so. We were looking at projects such as the \$1.3 million for East Mingus Avenue reconstruction, North Main Street paving, and Main Street to Mingus construction. All those pooled together were \$7.6 million. He believed they could get the funding and still be able to do these projects in a three year period. He was putting back the 1 percent construction sales tax in 2012 and some General Fund contributions. In grant funds most of it went to the airport. Just about everything had grants or matching funds from the airport or the state. The only thing in here that would probably not be grant funded was the Jet A Tank. That would be a \$95,000 financing.

Mayor Joens asked where the 12.4 acre land acquisition would be.

Mr. Costello stated it was at the southwest side of the airport; west and south of the runway.

Mayor Joens asked if this was to add the extra length to turn around for the planes.

Mr. Bartosh stated more importantly, it was for additional hangers.

Mr. Rodriguez stated the big ticket items with wastewater the next few years would be Highway 260 at \$1.9 million programmed for next fiscal year. Then \$8.5 million was programmed over the next two fiscal years to be funded out of our capital improvement fund. For future projects \$500,000 was set aside. The other projects were just upgrades to the wastewater treatment plant.

Mayor Joens stated the \$8 million next year was for the new reclamation plant. She asked what the wastewater treatment plant construction was about.

Mr. Lueder stated there were quite a few upgrades needed to keep the existing plant operating. There was continual maintenance and upgrades needed to keep it operational.

Mr. Rodriguez stated we were looking at a potential \$4 million bond issue this upcoming year. On top of the \$8.5 million that would be transferred over the next couple of years, that \$4 million would go a long way to funding projects over the next three years besides reclamation. We were looking possibly at another \$1 million bond in 2014 to continue projects into the future.

Council Member Kirby stated he had heard rumors that the Bella Montaña project may rejuvenate. If it did, they would be required to do something about water and sewer service out there. He asked where we stood on that as far as getting the money ahead. He knew we could recall the money with impact fees, but in the meantime, we had to put the money out to do the job.

Mr. Lueder stated for this upcoming fiscal year we would have a capital outlay. Even if they started turning dirt, the best case scenario would have it sometime in 2011. The design of the plant was about 85 percent done. We would pull it off the shelf and we had money should we have to put a well out there. At the pace it was going right now he did not anticipate any huge infrastructure needs out there this year.

Council Member Kirby asked about a fire station.

Chief Casson stated in the planning there was design, feasibility, and review, then construction contingent upon the populace and fire problem starting to develop out there. We would have some idea once the developer got started.

Council Member Kirby stated that seemed to be the community that would have the highest impact on our city's needs.

Mayor Joens stated we would hope they would volunteer to give us some land for such a station.

Council Member Kirby stated he was concerned because this was probably the community

that would have the greatest amount of impact on our city. If we were not totally prepared for it, we were going to lose out. He questioned if we were prepared to manage this large an influx of community on the City of Cottonwood.

Mr. Lueder stated, realistically, we were looking at 16 homes in the next 24 months.

Vice Mayor Pfeifer asked if we didn't need a sewer plant for the first flush of the first toilet.

Mr. Lueder stated we could not even operate the wastewater plant without 10 percent of the flow coming into the plant. Even if we downsized the plant to about 300,000, which was as small as we could go, that would take about 150 houses. In the discussions we had had with the developers, the first homes would have a surcharge put on to pay to our treatment plant and we would charge our monthly rate. The developer agreed to this because he wanted to get these houses up and going before he had enough capacity to operate our plant. The water we would have to add in, but that was less expensive. Sewer was about two years out.

Mr. Rodriguez stated on the water side we were looking to bond for \$37 million next year. Part of it was to refund the 2004-06 MPC bonds. The balance was to reimburse ourselves for the two wells we purchased and the Foxworth building we acquired. That made up the nearly \$3 million balance in that. We also had Highway 260 upgrades planned. The rest of the items were construction projects. In previous budgets arsenic came in at about \$1 million. It had all been moved to operations because it was no longer a capital project. It was part of regular maintenance. There was a proposed \$2 million bonding issue in 2013 to continue our progress on this particular facility. Several projects which required bonding in the same year were lumped together to get better bond rates.

Mayor Joens asked if we would have a better rate now than in 2004 and 2006 and would it be less interest we would pay.

Mr. Rodriguez stated it would be a little bit less. The issue we were facing was we first had to get the rates in place to show we could abide by our covenants. We should be able to get a relatively good rate.

The water development reserve was sporadic. We had not budgeted anything. We budgeted the full amount of the reserves because we didn't know when things would come up. It showed the kind of money coming through. If something came up and the Council approved it, we would be able to do something in this particular fund provided it was within expense parameters.

The capped accumulation of \$1 million showed reimbursement for airport t-hangers ending in 2012-13. There were no planned expenditures. It could be used but traditionally it was kept as a buffer. The last time we dipped into it was for the Senior Center remodel.

The capital improvement fund was the money we had accrued through the 1 percent sales

tax that sunsetted in 2007. The only thing being added to this was interest accrued on it. We were looking at having \$13 million in it at the beginning of this upcoming fiscal year. He had transfers to the sewer fund of \$500,000 and \$8 million. If it didn't come to fruition for any reason or it actually got staggered over two or three years, we would only transfer the money needed to complete the plant. We would keep the money invested as long as we could to pick up as many nickels and dimes as we could with our current investment strategy. We would only transfer what they needed to complete the project.

The other items here were Riverfront Park parking curb and overlay in the old section of Riverfront Park. We had talked about possibly bonding for city hall but wanted to go ahead and start a feasibility study of sorts. The library parking lot was in ill repair and we wanted to plug it in here. The Old Town Jail would be about \$70,000, and \$100,000 to take down the back side of the old court building and do some remodel work to possibly rent it and the Old Town Jail out. Regarding city hall, there was the potential we might have that come before us to go ahead and move on it relatively quickly. His concern was, if we were looking at \$5.6 million over the next three years, would it be possible to even consider putting up a portion of that money if an opportunity came up for a good opportunity for building a city hall.

Council Member Pratt stated the ideal would be to have a city hall where you had all these disparate departments in the same building. He would be in favor of coming back to Council with that. It would be more efficient as Mr. Lueder found with his group.

Council Member Kirby stated it would be nice to do all those things, but to relinquish the Council's authority in this case, he didn't see it. He thought if they needed to make an offer, they could call a special meeting, an emergency meeting of the City Council, and get it done in a day. They didn't need to worry about it going for weeks. He was not ready to relinquish his authority to them to make that kind of an offer without the permission of the rest of the Council.

Mr. Bartosh stated he had kept the Council informed through the management report there was a building that may potentially go into foreclosure. We did not know whether that would happen or not. The bigger question was, was the Council ready to seriously consider looking at a new city hall. If that building did become available he thought we would have the time to come to the Council and give staff a range and they could go look at it. The more he heard on the other building, the more it was not likely it was going to come on the market, but that could change. The bigger question was, was it time to start looking at a city hall. The preference would still be to potentially look at it in the Old Town area, but maybe not. He asked if it was time to begin those discussions.

Council Member Elinski stated yes, in his opinion.

Vice Mayor Pfeifer stated yes; preferably in the Old Town area.

Council Member Norman concurred.

Mayor Joens stated it was on the five-year plan five years ago. It was not like it was a new idea.

Council Member Elinski stated in terms of putting money towards feasibility, the sooner we could do that, the better off we were, so it wouldn't always be pushed off.

Mr. Bartosh stated if we agreed conceptually we needed to budget some money and look at this seriously. He would come back to the Council with maybe a couple of options to talk about and some conceptual ideas of what could or could not work.

Vice Mayor Pfeifer stated if something came up and we needed to get together, we should get together. We should be able to do that.

Mr. Rodriguez questioned if the Council would have a problem if he moved the entire \$5.6 million to the next year.

Vice Mayor Pfeifer stated, go for it.

Council Member Pratt stated there was another thing he would like to look at if there was extra money. It would be wise to look at solar for the recreation center. It would probably cut down on the utility bills quite a bit.

Mr. Rodriguez stated currently we still had a little over \$1 million in that fund. We did the Brian Mickelsen Parkway overlay with that particular money. We pumped a lot of money that we didn't anticipate to pump into the pool, and we still had a fairly good amount in the bank in that particular investment. We wanted to go ahead and finish up with the pool and then go ahead and proceed with possibly putting some solar panels or something of that nature up on the roof. It all depended on how much money was going out. The pool still had to be finished and paid for.

Mr. Bartosh asked if we had the money budgeted to be able to do that.

Mr. Rodriguez stated, yes. It was not specifically budgeted, but in Arizona he had to budget the carry-forwards, which was what he had done. What we would do was we would move the \$5.6 million into this year so we would have the budget authority. If it did not happen, we would push it back out. He wanted to make sure he had the budget authority just in case we did get an opportunity to go ahead and acquire a building of sorts.

Mayor Joens asked if this was coming from the \$12 million that we had saved from wastewater funds.

Mr. Rodriguez stated it was from the capital improvement fund. He wanted to keep from calling it the sewer fund any more. It had been in a capital improvement fund all along. What we had done in the past, and he had made it clear, was if we needed it we would go

ahead and funnel it to whichever fund needed it or capital project. It was easier to move from there than to give it to the sewer fund and try to extract it out of an enterprise fund. Once you co-mingled it, you started having problems.

Mr. Lueder stated, back to the solar power. We were going to be taking a real hard look at that. As far as Riverfront, depending on the timing, we may be able to take advantage of different solar technologies. Right now we were concentrating potentially on design-build on just the solar portion of it.

Mayor Joens asked if we were moving ahead with the \$92,000 also.

Mr. Rodriguez stated it had been put in the airport fund.

Council Member Kirby asked if he could generate enough electricity with that money to fill the airport's needs.

Mr. Rodriguez stated one of the concepts was to use the solar panels to generate some of the lighting on the runways.

Mr. Costello stated the panels would generate 50-60 percent of the typical monthly bill for the airport.

Council Member Kirby asked what a typical monthly bill was.

Mr. Costello stated, \$3,000.

Council Member Kirby stated it took a long time to recover the money you spent on solar.

Mr. Costello stated 15-18 years.

Mr. Bartosh stated Ms. Jiménez had come up with an idea in terms of potentially using part of the old court to expand the Council chambers. That was something we could talk about too as a possibility. If we were going to move more quickly on this city hall we may want to delay putting any more money into this structure for that purpose.

Mayor Joens stated everything was up in the air but that was good to have it on the drawing board for discussion depending on which way things went.

Mr. Rodriguez asked if there was anything the Council wanted to add to the capital improvement fund.

Mayor Joens stated if the Civic Center could be moved up because we would have funding for it. That was something that would benefit the community—air conditioning in there.

Mr. Rodriguez stated they had Civic Center renovation for 2013. It could be moved to

2012. Anything else the Council thought should be added should be brought to his attention.

Vice Mayor Pfeifer stated she wanted to be sure we had for public safety enough for their educational programs and their little courtesies like having motorcycle police at certain processions and the parades. And the programs the fire department had—baby-sitting and all. She wanted to be sure to fund most of those for the public. She asked if they were still in the public safety budget.

Mr. Rodriguez stated he believed they were all currently funded.

Mayor Joens stated she had a question concerning what the Vice Mayor just said about the budget. We realized there were some community events that happened that citizens asked staff for things that were hard to provide. But there might be some activities the Council would support. She asked how did the Council, if it wanted to support a community activity, did that and where would it find the money.

Mr. Rodriguez stated they would start at the department head level and find out what programs they were not doing that we could help out with. We had done some budgetary cuts but the programs were still in place. He didn't believe they had lost too many programs. We still had a lot of summer camps and activities, and things for the kids. Training was still going on as usual. We had just made sacrifices in other places.

Mayor Joens stated, specifically, if someone asked for a police escort and the City Manager determined there was really not money for it, then there wasn't. Did we need to bring something to Council for all of them to decide how to provide out of their own funds to support that community event, she asked.

Mr. Rodriguez stated you probably could. That would be something the City Manager would have to do. He was aware of all the different things going on outside the budget, such as police escorts of sorts. He believed the police charged depending on what the event was for some escorts.

Mr. Bartosh stated they could charge, depending on the event. One of the problems they had run into was these events seemed to be multiplying. There may need to be some determination made eventually of what was an event the city should pay for and what was an event the organizer should pay for. We did not have the overtime budget we used to have. You couldn't do those kind of escorts with on-duty personnel because once you started escorting somebody, you couldn't take off to a call. It was overtime that paid for that and we had to cut back on our overtime budgets.

Mayor Joens stated if there was some point in time when the economy did improve, maybe it was something the Council would want to do. It could set aside so much out of their own budget for these kinds of community activities to help support the police department to provide those services.

Vice Mayor Pfeifer stated when the public came to the Council because they were told no, it didn't feel right to her to go to the City Manager particularly because they'd already talked to the chief and that was going over the chief's head, so that put them in the middle.

Mr. Bartosh stated they were not going to feel like they were going over their heads.

Chief Casson stated with what we'd been going through with the economy the last couple of years, the General Managers had really stepped up and said no, we don't have the taxpayer dollars to do that. What was a nice program as opposed to a necessity, we've said no to. Not just public education but our own employee education right now was still off the table and out of town travel. We were still saying no to things because of our responsibilities to keep budget expenditures down. If the policy makers wanted to come back and say they wanted that program, staff would fund it. We were not saying no just because we wanted to say no.

Mayor Joens stated if the policy makers wanted to provide those services they had to find funding.

Mr. Bartosh stated to put it in perspective, while we were not filling positions and asking employees to do more, to turn around and say we'd pay for this and pay for that; those were the kind of things he needed to be able to share with Council so there was a balance to those decisions.

Mr. Rodriguez stated regarding items for engineering, in the budget was about \$80,000 for density and compaction equipment needed by our engineers. With it we could trim expenses with outside engineers since we could do a lot of this, and save about \$20,000 a year. The equipment's life expectancy was about 15 years.

For the custodial issue we were looking at an \$88,000 contract just for the recreation center alone. Not \$141,000 as in the e-mail he sent. We expected between \$3,000 and \$7,000 costs when we had special events. Most of those costs would be recouped because we did have deposits. If there was any extraordinary cleaning needed, they would forfeit their deposits. All the other cleaning of city facilities was only \$112,000.

The support the City of Cottonwood had for its outside agencies was shown by its funding of the Senior Center for \$45,000, the Old Town Association for \$10,000, the Humane Society for \$40,000 with an additional \$10,000 for their building if we did make our estimates, the American Legion for \$2,500, Catholic Charities for \$10,000 with an option to get another \$5,000 if they needed it for utility support, Verde River Days for \$2,000 with \$1,000 paid through the General Fund and \$1,000 through the water utility, the Birding Festival for \$1,000, and The Verde Valley Concert Association for \$2,000, traditionally to use for the Missoula Children's Theatre.

Mr. Bartosh asked about funding for the Airfest.

Mr. Rodriguez stated he had \$5,000 set aside for it in the next fiscal year in the airport budget. Most of our reserves were fully funded or anticipated to be. Sixty-day reserve coverage was fully funded at \$1.9 million. The capital improvements fund was still holding up at \$1 million. We had \$100,000 in undesignated reserves that Council had requested year after year. We started off with \$853,330 in our capital improvement fund for general capital. The sales tax for public safety was a little bit weak. We had had a lot of needs for it and we expected it to go up a little bit. There may be some changes on some accounts between now and the tentative budget. The reserves for the recreation center had dropped from \$221,745 to about \$170,000.

Mayor Joens asked if we didn't have \$600,000 or \$800,000 this year but it was switched over to the General Fund.

Mr. Rodriguez stated we lost those right off the bat. The revenues did not come in and the first thing we did is we took those funds off the table. The same would happen here. If by any chance we didn't meet our revenues, the first thing that would start to disappear were those bottom two; the recreation center reserves and employee merit program reserves. If we did meet our revenues, then those would remain and be used.

Council Member Kirby asked if he was talking about revenues from the recreation center or revenues in general.

Mr. Rodriguez stated revenues in general. The recreation center was not self supporting at this point. Our concern was if we could meet our revenues we could put the reserve amounts aside. If we couldn't, these would dwindle a little at a time.

Mayor Joens asked if it was enough to cover the recreation center for the difference. We were already considering that we had to pay. She asked if we had we already made those adjustments in the budget.

Mr. Rodriguez stated he had basically set it aside as a buffer. Now he had \$540,000 estimated. Their annual budget was over \$1.3 million. That meant the General Fund was already pumping in the balance of that \$800,000. You could make the argument that \$800,000 would actually be \$600,000 if we did make our estimates because this would offset that \$800,000 shortfall. The more they made, the better it looked for us.

Mayor Joens stated things were looking promising from what she had heard.

Mr. Rodriguez stated so far they looked good. Changes could still be made. July 6 would be the public hearing and adoption of the tentative budget. This was important because it set our expenditure limitations. Modifications could be made, but the bottom line would be set and could not be changed. July 20 would be the final budget hearing and adoption of the budget.

ADJOURNMENT

Council Member Kirby moved to adjourn. Council Member Elinski seconded the motion, which carried unanimously. The work session adjourned at 7:28 p.m.

Diane Joens, Mayor

Marianne Jiménez, City Clerk

CERTIFICATION OF MINUTES

I hereby certify that the attached is a true and correct copy of the minutes of a budget work session of the City Council of the City of Cottonwood held on June 8, 2010. I further certify that the meeting was duly called, and that a quorum was present.

Marianne Jiménez, City Clerk

Date